# PUBLIC INFORMATION

### **Quick Look:**

### This document includes:

Background Information, Quick Facts, Frequently Asked Questions and Additional Resources about <u>CS/CS/HB 119</u> Sponsored by <u>Rep. Boyd</u>.

### **Quick Facts:**

### In 2006

- Nearly 260,000 crashes reported
- 302,141 PIP claims opened or recorded
- Nearly \$1.5 billion in PIP benefits paid by insurers
- 1,700 PIP-related referrals to Division of Insurance Fraud

### In 2009-10

- Approximately 240,000 crashes reported (2009)
- 386,464 PIP claims opened or recorded (2010)
- Nearly \$2.5 billion in PIP benefits paid by insurers (2010)
- Approximately 2,400 PIPrelated referrals to Division of Insurance Fraud (2009)

\*See Additional Resources Section for Reports Containing Data Above

### **OPI Pulse: Personal Injury Protection (PIP) Coverage**

<u>Update: The Florida Legislature passed committee substitute for committee substitute</u> for House Bill 119 (CS/CS/HB 119) on Friday, March 9, 2012. The bill will be sent to the Governor for his signature.

### **Background:**

Florida law requires that all registered motor vehicle owners have Personal Injury Protection insurance, often referred to as PIP. Personal Injury Protection coverage was first enacted in 1971, through the passage of the Florida Motor Vehicle No-Fault Law, which mandated a minimum coverage requirement of \$5,000. The coverage was intended to reduce litigation and provide payment for medical expenses for injuries sustained in motor vehicle crashes. The minimum allowable amount of PIP coverage was increased to \$10,000 in 1979 and it remains at that amount today. Property Damage Liability coverage was added to the law in 1988 for the purpose of covering any damages a driver, or family member, caused to other people's property in a motor vehicle accident.

Since the program's inception, the number of PIP claims has grown significantly each year, despite a marked decline in the number of auto accidents. The Florida Department of Financial Services attributes much of the increase to fraud and abuse, including staged accidents, unnecessary or improper medical care and illegal billing practices. Over the years, the Legislature has worked to enact programmatic changes to fight fraudulent activity by strengthening licensing requirements for clinics providing health services to accident victims.

#### Issues at a Glance:

Proponents of PIP reform reference the prevalence of fraud and abuse in the current system as the primary reason the existing program should be redesigned. For example:

- Proponents point to documentation from insurance providers indicating an escalation
  in fraudulent claims since 2008 including growing instances of staged accidents.
   Proponents also cite information from the state Division of Insurance Fraud indicating
  last year almost half of the referrals received were for PIP fraud, up from 40 percent
  from the previous year.
- Proponents cite evidence of excessive and unnecessary medical treatment.
- Proponents point to increasing insurance premiums for consumers in regions around
  the state as a direct result of systemic fraud. According to Florida's Insurance
  Consumer Advocate, within the Office of the Chief Financial Officer, if present trends
  continue for paid PIP losses, it is estimated that PIP premiums will double every three
  years.

### What the Bill Does:

Sponsored by Representative Boyd, committee substitute for committee substitute for House Bill 119 (CS/CS/HB 119) Motor Vehicle Personal Injury Protection Insurance revises the existing no-fault automobile insurance system. The bill retains the required minimum coverage of \$10,000 and the availability to recover lost wages and adds a guaranteed \$5,000 death benefit. In addition, the bill:

- Requires injured parties to seek medical care (emergency or non-emergency) within 14 days of an accident;
- Bases up to \$10,000 in emergency medical condition coverage as determined by medical professionals;
- Allows up to \$2,500 in benefits for treatment of non-emergency medical conditions if an injured person initially goes to the hospital or to a specified health care provider;
- Covers a range of services including emergency transport, diagnosis and treatment, and follow up services related to the initial diagnosis;
- Requires insurers to file new rates to reflect the cost savings resulting from the bill;

Representative John Legg Speaker pro tempore Office of Public Information 850.921.7747 PublicInfo@myfloridahouse.gov

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### **Additional Resources:**

Florida Department of Highway Safety and Motor Vehicles

Report: No-Fault Auto
Insurance in Florida-Trends,
Challenges and Costs

Report: Florida Motor

<u>Vehicle No-Fault Insurance</u>

(Personal Injury Protection)

Report on Review of the 2011 PIP Data Call

- Eliminates the use of contingency risk multipliers in the awarding of attorney fees;
- Gives insurers up to 90 days to investigate a claim when fraud is reasonably suspected;
- Bars the payment of benefits to anyone who submits false material statements or information related to an automobile accident; and
- Strengthens law enforcement's ability to investigate and prosecute fraud by specifying fraudulent acts and increasing penalties.

### **Frequently Asked Questions**

### I heard that PIP went away. Is it back?

In 2007, the Legislature allowed the existing Personal Injury Projection law to expire under Florida law; shortly thereafter, however PIP was re-enacted and updated to include a fee schedule to combat fraud and rising costs.

### Does PIP only cover me in an accident?

No. PIP covers you, your child(ren), members of your household and certain passengers who lack PIP coverage as long as they do not own a vehicle. PIP also covers your child if he or she suffers an injury while riding on a school bus. PIP coverage protects you while in someone else's vehicle, as a pedestrian, or bicyclist if you suffer an injury in a crash involving a motor vehicle.

### Why is there so much fraud and abuse in the system?

The reasons vary. In some cases individuals fake or stage an accident and are paid by "phantom providers" (people who provide no health care services but bill insurers for the full \$10,000 in benefits). In other situations, limited care is provided but the injury is not serious and the carrier is still billed the full amount. Because insurers must pay claims within a certain period of time, in order to make sure truly injured persons receive necessary treatment, criminals and unscrupulous providers flood insurers with fraudulent claims.

### How does system fraud result in higher premiums for consumers?

Insurance companies analyze their claims history and then use that information to determine the premium rates necessary to cover anticipated future losses. The severity of claims and the frequency of claims are two factors used to help determine projected losses. No-fault claim severity in Florida has increased by 23.7 percent since 2006. From 2008 to 2010 (the latest available data) claim frequency surged 46.2 percent. These drastic increases have resulted in premium rate increases ranging from 56.4 to 678.4 percent in regions of the state with the highest number of claims.

### When do the changes go into effect?

The bill is effective July 1, 2012, unless otherwise stated. The changes in benefit coverage are effective January 1, 2013.

### Which medical providers could I visit for non-emergency medical conditions after an accident?

The bill specifies that after an accident, you may be treated by a medical doctor, osteopathic physician, chiropractic physician, dentist, physician assistant, physical therapist, or advanced registered nurse practitioner. Treatments by a massage therapist and an acupuncturist are not covered under Personal Injury Protection benefits.

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